

New Orleans City Business

State looking at lowering jury trial threshold as insurance rates soar

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New Orleanians are paying some of the highest auto insurance rates in the country because of the way the state's court system is set up, according to insurance industry insiders.

The Louisiana Property and Casualty Insurance Commission voted last month to lower the state's jury trial threshold from \$50,000 to \$10,000. The dollar amount in damages being sought determines at what point the defendant can request a jury trial. Louisiana has the highest jury trial threshold in the nation.

Some within the insurance industry and other business leaders feel they cannot be given a fair shake without having a jury decide their case. Attorneys and judges dispute that.

The commission's vote means it recommends the threshold be lowered, but it's up to the legislature to decide whether to take action. One bill already has been introduced.

State Rep. Anthony Ligi, R-Metairie, has introduced legislation that would lower the threshold to \$5,000. State Sen. Conrad Appel, R-Metairie, is co-sponsoring the bill.

"We desperately need lower rates in this state, and one of the reasons for high rates ... is because they have to go before a judge and they don't feel they're getting their cases adjudicated properly," Appel said.

Opponents of lowering the threshold insist the court system could not handle the logistics of holding more jury trials.

"Really from our standpoint, it is one of case management and what we perceive to be something that would just monumentally clog up the court system," said state Judge Robert Morrison, whose court oversees Livingston, St. Helena and Tangipahoa parishes.

Morrison has testified numerous times in favor of keeping the \$50,000 limit in place.

"I understand that some people in the insurance business and corporate defendants often think they don't get as fair a shake with particular trial judges as they have with a jury, but I think in most cases the demographics of a particular judicial district, the judge and juries, have the same kind of philosophy," Morrison said.

It is not the first time this kind of legislation has been introduced, nor is it the first time the Louisiana Property and Casualty Insurance Commission has voted in favor of lowering the threshold.

LPCIC vice chairman Jeff Albright said he believes there is a good possibility the legislation will gain traction this year.

Albright described the commission's vote in favor of a lower threshold as "very contentious."

He said members representing plaintiff attorneys threw in less desirable measures, such as expanding the amount of time an attorney can bring up damage claims from one year to two to make the measure less palatable.

"Much to everybody's surprise, when it came up to vote, it still passed," he said.

New Orleans ranked third in the country for the cost of car insurance in 2011, according to Runzheimer International via the Insurance Information Institute. With an average annual premium of \$3,599, it was behind Detroit at \$5,941 and Philadelphia at \$4,076.

Rate rankings

New Orleans ranks among the top U.S. cities for car insurance rates.

Rank	City	Average annual premium
1.	Detroit	\$5,941
2.	Philadelphia	\$4,076
3.	New Orleans	\$3,599
4.	Miami	\$3,388
5.	Newark, N.J.	\$2,867
6.	Baltimore	\$2,851
7.	Tampa, Fla.	\$2,796
8.	Providence, R.I.	\$2,711
9.	Los Angeles	\$2,664
10.	Las Vegas	\$2,651

Source: Runzheimer International

In a 2010 National Association of Insurance Commissioners survey based on average automobile insurance expenditures, Louisiana was the second most expensive market in the country behind the District of Columbia.

Representatives of some major insurance companies said they could not break down regional statistics to get a closer look at what's driving the rates.

"The simple answer, and obviously it has many components, is the cost of claims is exactly what drives the cost of insurance or insurance rates," said Gary Stephenson, a spokesman for State Farm. "That is the simple consideration as we establish rates in every major geographic area, we are evaluating what we pay in claims over a period of time."

Rates are also based on what the company anticipates paying in the future, Stephenson said.

In the past, insurance industry sources have blamed New Orleans' high rates on uninsured drivers, crime, bad roads, natural disasters and a high number of lawsuits.

In terms of crime, there may be some hope going forward.

Stephenson noted an announcement by state Insurance Commissioner Jim Donelon last month that auto thefts in Louisiana had dropped significantly between 2006 and 2010.

Data from an FBI Uniform Crime Report showed that car thefts in the state fell 15.6 percent between 2009 and 2010, the fourth consecutive year with a decline.

"(Theft) goes into the comprehensive calculations so that's a good sign," Stephenson said.